

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021**

H

1

HOUSE BILL 392

Short Title: Ret. Svc. Purchase/Omitted Membership Service. (Public)

Sponsors: Representatives Belk, Hurley, Gill, and Martin (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: State Personnel, if favorable, Pensions and Retirement, if favorable, Rules, Calendar, and Operations of the House

March 25, 2021

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW FOR THE PURCHASE OF CREDITABLE SERVICE IN THE
3 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE LOCAL
4 GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM FOR SERVICE IN A
5 PRIOR YEAR WHEN THAT SERVICE WAS ASSUMED TO BE PART-TIME BUT WAS
6 ACTUALLY FULL-TIME SERVICE.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** G.S. 135-4(v) reads as rewritten:

9 "(v) Omitted Membership Service. – A member who had service as an employee as
10 defined in G.S. 135-1(10) and G.S. 128-21(10) or as a teacher as defined in G.S. 135-1(25) and
11 who was omitted from contributing membership through error may be allowed membership
12 service, after submitting clear and convincing evidence of the error, as follows:

- 13 (1) Within 90 days of the omission, by the payment of employee and employer
14 contributions that would have been paid; or
15 (2) After 90 days and prior to three years of the omission, by the payment of the
16 employee and employer contributions that would have been paid plus interest
17 compounded annually at a rate equal to the greater of the average yield on the
18 pension accumulation fund for the preceding calendar year or the actuarial
19 investment rate-of-return assumption, as adopted by the Board of Trustees; or
20 (3) After three years of the omission, by the payment of an amount equal to the
21 full cost of the service credits calculated on the basis of the assumptions used
22 for the purposes of the actuarial valuation of the system's liabilities, and shall
23 take into account the additional retirement allowance arising on account of
24 such additional service credit commencing at the earliest age at which a
25 member could retire on an unreduced retirement allowance, as determined by
26 the Board of Trustees upon the advice of the consulting actuary, plus an
27 administrative fee to be set by the Board of Trustees. Notwithstanding the
28 foregoing provisions of this subdivision that provide for the purchase of
29 service credits, the terms "full cost", "full liability", and "full actuarial cost"
30 include assumed annual post-retirement allowance increases, as determined
31 by the Board of Trustees, from the earliest age at which a member could retire
32 on an unreduced service allowance.

33 Nothing contained in this subsection shall prevent an employer or member from paying all
34 or a part of the cost of the omitted membership service; and to the extent paid by the employer,



* H 3 9 2 - V - 1 *

1 the cost paid by the employer shall be credited to the pension accumulation fund; and to the
2 extent paid by the member, the cost paid by the members shall be credited to the member's
3 annuity savings account; provided, however, an employer does not discriminate against any
4 member or group of members in his employ in paying all or any part of the cost of the omitted
5 membership service. Upon request from an employee, an employer shall provide written
6 notification of the total hours worked in the preceding 12 months to an employee in a position
7 classified as part-time. An employer shall provide a copy of the notification to the Retirement
8 Systems Division upon request. In the event that an employee was classified as part-time in error
9 and was not eligible to earn membership service due to that error, and the employee has paid a
10 lump sum equal to the applicable employee contributions as set forth in subdivision (2) of this
11 subsection within one year after the omission, the employer shall be required to pay the applicable
12 employer contributions as set forth in subdivision (2) of this subsection."

13 **SECTION 2.** G.S. 128-26(m) reads as rewritten:

14 "(m) Omitted Membership Service. – A member who had service as an employee as
15 defined in G.S. 135-1(10) and G.S. 128-21(10) or as a teacher as defined in G.S. 135-1(25) and
16 who was omitted from contributing membership through error may be allowed membership
17 service, after submitting clear and convincing evidence of the error, as follows:

- 18 (1) within 90 days of the omission, by the payment of employee and employer
19 contributions that would have been paid; or
- 20 (2) after 90 days and prior to three years of the omission, by the payment of the
21 employee and employer contributions that would have been paid plus interest
22 compounded annually at a rate equal to the greater of the average yield on the
23 pension accumulation fund for the preceding calendar year or the actuarial
24 investment rate-of-return assumption, as adopted by the Board of Trustees; or
- 25 (3) after three years of the omission, by the payment of an amount equal to the
26 full cost of the service credits calculated on the basis of the assumptions used
27 for the purposes of the actuarial valuation of the System's liabilities, and shall
28 take into account the additional retirement allowance arising on account of
29 such additional service credit commencing at the earliest age at which a
30 member could retire on an unreduced retirement allowance, as determined by
31 the Board of Trustees upon the advice of the consulting actuary, plus an
32 administrative fee to be set by the Board of Trustees. Notwithstanding the
33 foregoing provisions of this subdivision that provide for the purchase of
34 service credits, the terms "full cost", "full liability", and "full actuarial cost"
35 include assumed annual post-retirement allowance increases, as determined
36 by the Board of Trustees, from the earliest age at which a member could retire
37 on an unreduced service allowance.

38 Nothing contained in this subsection shall prevent an employer or member from paying all
39 or a part of the cost of the omitted membership service; and to the extent paid by the employer,
40 the cost paid by the employer shall be credited to the pension accumulation fund; and to the
41 extent paid by the member, the cost paid by the members shall be credited to the member's
42 annuity savings account; provided, however, an employer does not discriminate against any
43 member or group of members in his employ in paying all or any part of the cost of the omitted
44 membership service. In the event an employer pays all or a part of the full actuarial cost as
45 determined in subdivision (3) of this subsection, the employer may, at its option, pay such amount
46 either in a lump sum or by increasing its "accrued liability contribution" for the remainder of its
47 accrued liability period. In the event an employer has satisfied its accrued liability contribution,
48 the employer may amortize its portion of the full actuarial cost over a period not to exceed ten
49 years. The expense of making an actuarial valuation to determine the accrued liability
50 contribution or the additional accrued liability contribution, required to amortize the portion of
51 the full actuarial cost paid by the employer, shall be paid by the employer in a lump sum at the

1 time of the actuarial valuation. Upon request from an employee, an employer shall provide
2 written notification of the total hours worked in the preceding 12 months to an employee in a
3 position classified as part-time. An employer shall provide a copy of the notification to the
4 Retirement Systems Division upon request. In the event that an employee was classified as
5 part-time in error and was not eligible to earn membership service due to that error, and the
6 employee has paid a lump sum equal to the applicable employee contributions as set forth in
7 subdivision (2) of this subsection within one year after the omission, the employer shall be
8 required to pay the applicable employer contributions as set forth in subdivision (2) of this
9 subsection."

10 **SECTION 3.** This act becomes effective January 1, 2022, and applies to the purchase
11 of service for work performed on or after January 1, 2021.